

R 241358Z JUL 09  
FM AMCONSUL ST PETERSBURG  
TO SECSTATE WASHDC 2806  
INFO AMEMBASSY MOSCOW  
AMCONSUL ST PETERSBURG  
AMCONSUL VLADIVOSTOK  
AMCONSUL YEKATERINBURG  
EUROPEAN POLITICAL COLLECTIVE

UNCLAS ST PETERSBURG 000092

E.O. 12958: N/A

TAGS: [RS](#) [PGOV](#) [ECON](#) [ELAB](#)

SUBJECT: ST. PETERSBURG CITY GOVERNMENT INTERVENES TO RESOLVE PAY  
ISSUE SURROUNDING WORKERS' STRIKE

REF: ST. PETERSBURG 68, ST. PETERSBURG 89

11. (SBU) Summary. Workers at one of St. Petersburg's oldest and largest construction materials production companies - DSK-3 -- went on strike in early July after the firm failed to pay full staff salaries for five consecutive months. The company had blamed the salaries shortfall on non-payment of amounts owed it from city-budget-funded subcontractors. The city government quickly responded by helping DSK-3 recover the amounts due from the sub-contractors, which the company then used to pay its workers in full. This development illustrates both the continuing deleterious effect the economic crisis is having on local government budgets, as well as the local government's desire to avert any situation that could give the appearance of social/political instability. End Summary

12. (SBU) DSK-3 is one of St. Petersburg's oldest and largest construction materials production companies and is an influential player in the city's construction industry. The company's main plant in St Petersburg specializes in producing concrete panels which are used in the construction of approximately 2,000 low-cost apartments per year in the city and in Leningrad oblast.

13. (SBU) DSK-3 has continued to produce and deliver its products over the course of this year, but its cash flow has been sharply reduced due to the economic crisis, according to press. This cash-flow shortfall eventually resulted in the company being unable to pay the staff at its main plant their full salaries for five months this year. By early summer, the salary arrears owed to DSK-3's 1,500 employees totaled \$2.5 million. The company's management claimed the company's financial difficulties were due to the city government's failure to pay the \$3.4 million it owed DSK-3 sub-contractors for various government contracts.

14. (SBU) By early July, the frustrated employees of DSK-3 took action and held a two-day strike on July 1 and 2, protesting their salary arrears. The strikers gathered near the entrance of the company's office building and demanded the company pay its debts to its employees. According to press accounts, the strike concluded peaceful.

15. (SBU) The St. Petersburg city government took immediate action to address the situation. On July 6, St. Petersburg vice-governor Roman Filimonov met with the DSK-3 management to discuss the strike. Speaking with journalists afterwards, Filimonov said that, although the city itself had no direct debts to DSK-3, the city government would help recover \$2.3 million owed to the company by subcontractors. DSK-3, for its part, agreed to provide from its own resources an additional \$1.3 million. According to Filimonov, all salary arrears owed the company's staff would be cleared by July 15.

16. (SBU) Since the July 6 meeting with Filimonov, press reports that DSK-3 has in fact paid its employees salary arrears through May. DSK-3 was able to do so in large part because one of its largest debtors on July 10 paid off what it owed the company, and this money was used to pay the back wages as well as the back payroll taxes owed to the city. Even so, DSK-3 still owes its staff about \$600,000 in unpaid salaries that accumulated in

June.

¶7. (SBU) Comment. The DSK-3 development demonstrates anecdotally the impact the economic crisis is having on St. Petersburg and the city's budget. The St. Petersburg city government's public commitment not to cut social spending during the crisis, coupled with declining local revenues (which have dropped by 30% from their 2008 projections), led the government to delay paying its contractors for various construction projects, with the downstream effect being that companies such as DSK-3 were unable to pay their employees.

¶8. (SBU) Comment continued. It is likely that the city government took the action it deemed necessary to resolve the DSK-3 development in order to prevent a Pikalyovo-type incident (reftels). This follows what we recently heard during a meeting with a well-informed local professor that President Medvedev, in a meeting of the extended State Council held in Archangelsk and attended by all Northwestern Russian governors, had said that they all should work to prevent a repetition of what happened in the Pikalyovo situation. At another meeting with several local political analysts, the consensus was that PM Putin had set a worrisome precedent in Pikalyovo by personally intervening to correct the situation, because now that sort of government intervention would be expected elsewhere as well, as reflected in the DSK-3 situation.

GWALTNEY